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FISCAL IMPACT STATEMENT

LS 7482

BILL NUMBER: HB 1812

NOTE PREPARED: Jan 10, 2007

BILL AMENDED:

SUBJECT: Energy-Efficient Buildings.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Construction of a Public Building or Structure: The bill requires a public works contract that is for the construction of a public building or structure and is entered into after December 31, 2007, to require that the building or structure must meet at least the silver rating under the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system.

Reconstruction, Repair, Alteration, or Retrofitting of Public Building or Structure: The bill requires a public works contract that is for the reconstruction, repair, alteration, or retrofitting of a public building or structure and is entered into after December 31, 2007, to require that the building or structure must meet at least the standards for existing buildings under the LEED rating system.

Revolving Loan Program: The bill requires the Indiana Recycling and Energy Development Board to establish a revolving loan program for retrofitting or other reconstruction, repair, rehabilitation, or alteration projects designed to make buildings and facilities more energy efficient.

State Agency Purchases: The bill provides that for state agency purchases, there is a 5% price preference for any electronic office equipment, including computers, monitors, printers, scanners, fax machines, and copiers, that are compliant with the United States Environmental Protection Agency Energy Star ratings.

Energy Audits by Departments of Administration and Education: The bill requires the Department of Administration to conduct an energy audit of buildings and facilities under the Department's control. It also requires the Department of Education to conduct an energy audit of buildings and facilities owned or leased

by school corporations. The bill requires each audit to include certain studies and recommendations. The bill also requires the Department of Administration and the Department of Education to submit the audits to the Governor and Legislative Council before January 1, 2009.

Fire Prevention and Building Safety Commission: The bill requires the Fire Prevention and Building Safety Commission: (1) to study the issue of whether the Indiana Energy Conservation Code should be amended to include any additional requirements under the *International Energy Conservation Code, 2000 Edition* (IECC 2000) for new residential buildings that are three stories or less in height; and (2) before January 1, 2010, to amend the Indiana Energy Conservation Code to make any changes and include any additional requirements that the Commission determines to be appropriate after conducting the study.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: *Department of Administration, Public Works:* The bill will increase up-front costs for the Department of Administration (DOA) to construct or reconstruct, repair, alter, or retrofit public buildings and structures to meet the silver rating under the LEED rating system. However, the additional cost to build using the LEED rating system is indeterminate and will depend on the project undertaken. Additional construction or reconstruction, repair, alteration, or retrofitting costs may be offset by energy savings or durability in future fiscal periods.

Also, the DOA will incur one-time expenditures to perform an energy audit of state buildings and facilities. There are 76 campus-type state facilities (areas having more than one building) plus additional buildings located throughout the state that include armory facilities, State Police posts, and highway maintenance buildings. Costs to audit state buildings and facilities are based on the systems available at each facility, the building's age, and whether an audit has been completed in the past. The energy audit under the bill will include a study of energy use and efficiency, recommendations, and a plan to implement any recommendations.

Background: The DOA has applied for LEED certification on five state buildings including the Issac Ray Forensic Patient Facility at Logansport State Hospital (received silver certification); three buildings at Madison State Hospital; and the Department of Health and State Police Laboratory. The DOA uses LEED certification depending on the circumstances of the building or facility. Also, the DOA audits campus-type facilities for energy use. DOA indicates that audits of certain state facilities that do not have air conditioning or heating systems may not be cost-effective.

Background on LEED Rating Systems: The LEED rating system has four categories for both new and existing buildings that include certification, silver, gold, and platinum standards. The rating is determined by earning points in categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design. LEED informational material indicates that existing building standards have an average return on investment of 2.6 years and annual net savings of \$170,000.

Department of Education: The bill will increase one-time costs for the Department of Education to conduct an energy audit of buildings and facilities owned or leased by school corporations. There are at least 1,936 school buildings that would require an energy audit. About 89 school corporations for FY 2006 had expenditures for energy savings contracts of about \$35.6 M.

Department of Administration, Equipment Purchases: The bill could increase costs for equipment purchases

to the extent that a price preference for Energy Star-compliant equipment is 5%. However, energy cost savings could offset initial costs. The DOA reports that 99% of the electrical equipment purchased for the state in 2005 is compliant with the Energy Star rating.

Fire Prevention and Building Safety Commission: The Fire Prevention and Building Safety Commission could incur additional expenditures to study and amend the code for residential buildings that are three stories or less. The additional expenses are expected to be minimal. The funds and resources required could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: *Indiana Recycling and Energy Development Board:* Under the bill, the Indiana Recycling and Energy Development Board, a public instrumentality of the state, establishes a revolving loan program for retrofitting or other reconstruction, repair, rehabilitation, or alteration projects designed to make buildings and facilities more energy efficient. The bill does not appropriate funds for the revolving loan program.

Background: The Indiana Recycling and Energy Development Board may receive grants, gifts, and contributions from public agencies, including the federal government, and from private agencies and private sources to research and develop energy resources within the state, and may administer such, including contracting with other public and private organizations, to carry out the purposes for which such grants, gifts, and contributions were made.

Explanation of Local Expenditures: Local units would have to construct and reconstruct, repair, alter, or retrofit public buildings and facilities to meet LEED rating standards. *See above for Department of Administration for costs, savings, and LEED rating standard information.*

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; Department of Education; Fire Prevention and Building Safety Commission; Agencies making supply purchases; State public works.

Local Agencies Affected: Local public works.

Information Sources: Tom Coulter, Department of Administration; www.USGBC.org; <http://www.in.gov/legislative/igareports/agency/reports/ADMIN03.pdf>

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